

Message Text

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SUBJ: SPECIAL TRADE OPPORTUNITY - UPGRADING OPERATING OF
PERUVIAN RAILWAY SYSTEM AND POSSIBLE DENATIONALIZATION

1. EDMUNDO MONTAGNE SANCHEZ, GENERAL MANAGER OF ENEFER-PERU - EMPRESA NACIONAL DE FERROCARRILES DEL PERU, HAS INFORMED THE EMBASSY OF PLANS TO IMPROVE THE MANAGEMENT AND OPERATION OF NATIONALIZED RAILWAY SYSTEM AND HAS EXPRESSED INTEREST IN CONTACTING SPECIALIZED U.S. CONSULTING FIRMS THAT MIGHT BE INTERESTED IN PROVIDING CONSULTANCY. THE CONSULTING SERVICE WOULD COVER TRAFFIC, OPERATION SYSTEMS, COSTS, MAINTENANCE, PERSONNEL MANAGEMENT AND TRAINING, SECURITY, PURCHASING, AND COMMERCIAL MATTERS.

2. MONTAGNE SANCHEZ ALSO INDICATED THAT HE HAS RECOMMENDED TO THE MINISTER OF TRANSPORTATION AND COMMUNICATIONS THAT THE RAILWAY SYSTEM BE DENATIONALIZED AND REORGANIZED ON A JOINT-VENTURE BASIS WITH A FOREIGN FIRM. HE WOULD LIKE TO CORRESPOND WITH INTERESTED AMERICAN FIRMS ON THIS POSSIBILITY.

3. COMMENT: ENAFER-PERU IS A DECENTRALIZED AGENCY UNDER THE MINISTRY OF TRANSPORTATION AND COMMUNICATIONS ENGAGED IN THE OPERATION AND ADMINISTRATION OF RAILWAYS IN PERU. ITS ASSETS INCLUDE 1,062 MILES OF RAILROADS, 52 DIESEL LOCOMOTIVES, 37 OTHER LOCOMOTIVES, 2,260 PASSENGER AND FREIGHT CARS, AND A 6 VESSEL FLEET FOR SERVICE ON LAKE TITICACA. THE RAILWAYS WERE
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FORMERLY OWNED AND OPERATED BY A BRITISH CONCERN, THE PERUVIAN CORPORATION LTD. THE PERUVIAN GOVERNMENT NATIONALIZED THE RAILROADS IN APRIL 1971 WHEN THE BRITISH CORPORATION DEFAULTED ON REPAYMENT OF LOANS TO WORLD BANK AND EX-IM BANK.

ENAFER-PERU HAS BEEN ENGAGED IN A REHABILITATION PROGRAM WITH FINANCING PROVIDED BY EXPORT DEVELOPMENT CORP. OF CANADA. THE

REHABILITATION INCLUDED PURCHASE OF DIESEL LOCOMOTIVES FROM MLW-WORTHINGTON LTD. OF MONTREAL. REPORTEDLY, CANADIANS ARE ALSO PROVIDING TECHNICAL ASSISTANCE TO ENAFER-PERU.

DESPITE EFFORTS TO IMPROVE PERUVIAN RAILWAY SERVICE, IT SEEMS THAT ENAFER-PERU CONTINUES TO FACE SERIOUS PROBLEMS IN OPERATIONS AND MANAGEMENT. TOP ENAFER EXECUTIVES ARE VERY CONCERNED WITH THESE PROBLEMS AND CONSTANT DEFICITS AND ARE LOOKING FOR OPERATIONAL ALTERNATIVES.

4. ACTION REQUESTED: USDOC IS REQUESTED TO INFORM SPECIALIZED AMERICAN CONSULTING FIRMS AS WELL AS INVESTORS OF THESE OPPORTUNITIES. INTERESTED PARTIES SHOULD CONTACT:

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